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FOREIGN SERVICE DESPATCH

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FROM : EXCON, Paris
TO : THE DEPARTMENT OF STATE, WASHINGTON
REF : Deptel 150706, March 28; Embdesp 2845, April 4; CoCom Doc 360.

9 For Dept. Use Only	ACTION EUR	DEPT. IN FO	REP. DEGRATOLI E L MD S/ISA
	REC'D AUG 10	OTHER	COMM ECA mcb 25655

SUBJECT: Reports to CoCom on Exports of Strategic Items from the PCs to Yugoslavia

The question of the continuance of reports to CoCom on exports of strategic items from the Participating Countries to Yugoslavia has again been raised by the U.K. Delegation to CoCom. The U.K. delegate recently proposed in CoCom that the statistical reports on exports to Yugoslavia be eliminated on the grounds that the statistics were difficult to compile, that such statistics on Yugoslavia were somewhat meaningless to CoCom in view of current policies toward that country, and that there are security reasons for not disseminating such statistics. The U.S. Delegation is inclined to agree with this view for the following reasons:

1. Presumably one of the basic purposes of the exchange of this information is to determine whether excessive shipments of International List goods are being sent to Yugoslavia. Then if exports to Yugoslavia of an I/L item appears to be excessive from the reports submitted by the PCs, the question of whether Yugoslavia was diverting some portion of those exports to the Soviet Bloc would arise. In light of present Yugoslav-Soviet relations, it is difficult to see how a presumption of diversion could be made since it is the understanding of the U.S. Delegation that no trade exists between Yugoslavia and the Soviet Bloc, so far as the U.S. Delegation knows, and since all trade is controlled by Government organs. No evidence has been submitted to date on diversions of western shipments to the Soviet Bloc where the goods were originally consigned to Yugoslavia.

2. The question of security is becoming to be of vital importance in this picture in light of the large increase in U.S. military aid to Yugoslavia. It is questionable whether, from a security point of view, the U.S. should continue to permit the monthly distribution of about 75 copies of its statistical returns on strategic exports to Yugoslavia to be distributed among the various interested Ministries of each PC. The same consideration applies to the reports of other PCs who are increasing their shipments of strategic goods and war materials.

3. There has been no consideration to date of the implications of the aggregate shipments of strategic goods to Yugoslavia, although such a study was once suggested by the Netherlands delegate, (see reference despatch) the Secretariat has not yet been able to prepare a statistical

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compilation for the purpose. In any event, it seems doubtful that such a study would be particularly meaningful.

During the previous discussions on this subject, the Danish delegate indicated that if reports on exports to Yugoslavia were discontinued he would move to discontinue reports on exports to Finland, apparently on the grounds that Finland should not be treated with greater suspicion than other countries and since neither Sweden or Switzerland were made subject to such reports, reports should not be submitted concerning Finland. In this connection the Department may well wish to consider the value in a continuance of reports on exports to Finland in light of Finland's political alignment and Finland's past performance in the field of the control of exports to the Soviet Bloc. It is the impression of the U.S. Delegation that Finland does not constitute a dangerous point of consignment from the point of view of reexport and diversion if adequate end-use checks and proper use of the list of Soviet-controlled firms in Finland (CoCom Doc 3054) are made.

ACTION REQUESTED:

The Department's views on discontinuing reports on both Yugoslavia and Finland are requested.

Frank D. Taylor
FRANK D. TAYLOR
Attache

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